

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-06 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 DODE-00 PM-05 H-02 L-03 PA-02
PRS-01 DOE-11 SOE-02 AGRE-00 /132 W
-----076001 202327Z /70

R 200503Z JAN 78
FM AMEMBASSY WELLINGTON
TO SECSTATE WASHDC 4777
INFO AMEMBASSY CANBERRA
AMEMBASSY SUVA
AMEMBASSY PARIS

UNCLAS WELLINGTON 00311

PARIS FOR USOECD

EO 11652: N/A
TAGS: ECON, EGEN, ETRD, EFIN NZ
SUBJECT: PRIME MINISTER SEES CONTINUED DIFFICULTY AHEAD
IN ANNUAL STATE OF THE ECONOMY ADDRESS

1. BEGIN SUMMARY: IN AN ANNUAL SPEECH TO AN
AUCKLAND ROTARY CLUB WHICH HAS BECOME A PLATFORM FOR
MAJOR ECONOMIC ANNOUNCEMENTS IN THE PAST, PRIME MINISTER
MULDOON DELIVERED A GENERALLY PESSIMISTIC ECONOMIC
REVIEW ALTHOUGH HE FELT THE BATTLE AGAINST THE COUNTRY'S
ECONOMIC ILLS WAS MAKING SOME SLOW PROGRESS. THE LATEST
CONSUMER PRICE INDEX RISE OF 3.6 PERCENT HE SAW AS
DISAPPOINTING AND ADMITTED THAT THE NATIONAL PARTY
GOVERNMENT CANNOT FINISH ITS PROMISED RESTORATION OF THE
ECONOMY BY THE END OF ITS THREE YEAR TERM IN NOVEMBER
1978. END SUMMARY.

2. PRIMIN MULDOON NOTED THAT THERE HAD BEEN EXCESSIVE
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BUSINESS CONFIDENCE UNTIL MID-1977 AND THAT AS NEW ZEALAND
IS NOW ENTERING AN ADJUSTMENT PERIOD, THERE COULD BE A
RESULTANT EXCESSIVE LACK OF CONFIDENCE AMONG BUSINESSMEN
AND THIS COULD LEAD TO A MAJOR DEPRESSION INSIDE NEW
ZEALAND. THE GNZ IS ANXIOUS TO AVOID THIS AND WILL TAKE
THE STEPS NECESSARY TO SEE THIS DOES NOT OCCUR. THE PM
STATED AVOIDANCE OF FURTHER UNEMPLOYMENT IS A MAJOR

GOVERNMENT GOAL EVEN THOUGH IT WILL INVOLVE MORE OVERSEAS BORROWING. MULDOON ACKNOWLEDGED THAT THE GNZ HAD DELIBERATELY DEPRESSED LIVING STANDARDS; CONSUMER DURABLE SALES HAD BEEN REDUCED; THE GARMENT INDUSTRY WAS NO LONGER RAPIDLY EXPANDING DUE TO THE QUOTA RESTRICTIONS FROM AUSTRALIA; THE MOTOR INDUSTRY WAS SETTLING DOWN TO A LOWER LEVEL OF DEMAND AND UNEMPLOYMENT COULD RISE FURTHER.

3. IN SUMMARY MULDOON THOUGHT THAT 1978 WOULD NOT BE A GOOD YEAR BUT WOULD NOT BE SIGNIFICANTLY WORSE THAN 1977. HOWEVER, PREDICTABLY, THE LEADER OF THE OPPOSITION SAW THE SPEECH AS AN ADMISSION OF TOTAL DEFEAT CLAIMING THERE WERE NO POLICIES AND NO DIRECTION FOR THE FUTURE. EDITORIALS RECOGNIZED THE COLD FACTS OF THE SITUATION AND PRAISED MULDOON FOR HIS FRANKNESS. THERE IS HOWEVER, NO CAUSE FOR OPTIMISM IN THE SHORT RUN. SELDEN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRIME MINISTER
Control Number: n/a
Copy: SINGLE
Draft Date: 20 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978WELLIN00311
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780031-0773
Format: TEL
From: WELLINGTON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780137/aaaabflv.tel
Line Count: 78
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: e70f25e1-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 08 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3735713
Secure: OPEN
Status: NATIVE
Subject: PRIME MINISTER SEES CONTINUED DIFFICULTY AHEAD IN ANNUAL STATE OF THE ECONOMY ADDRESS
TAGS: ECON, EGEN, ETRD, EFIN, NZ, STATE
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/e70f25e1-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014